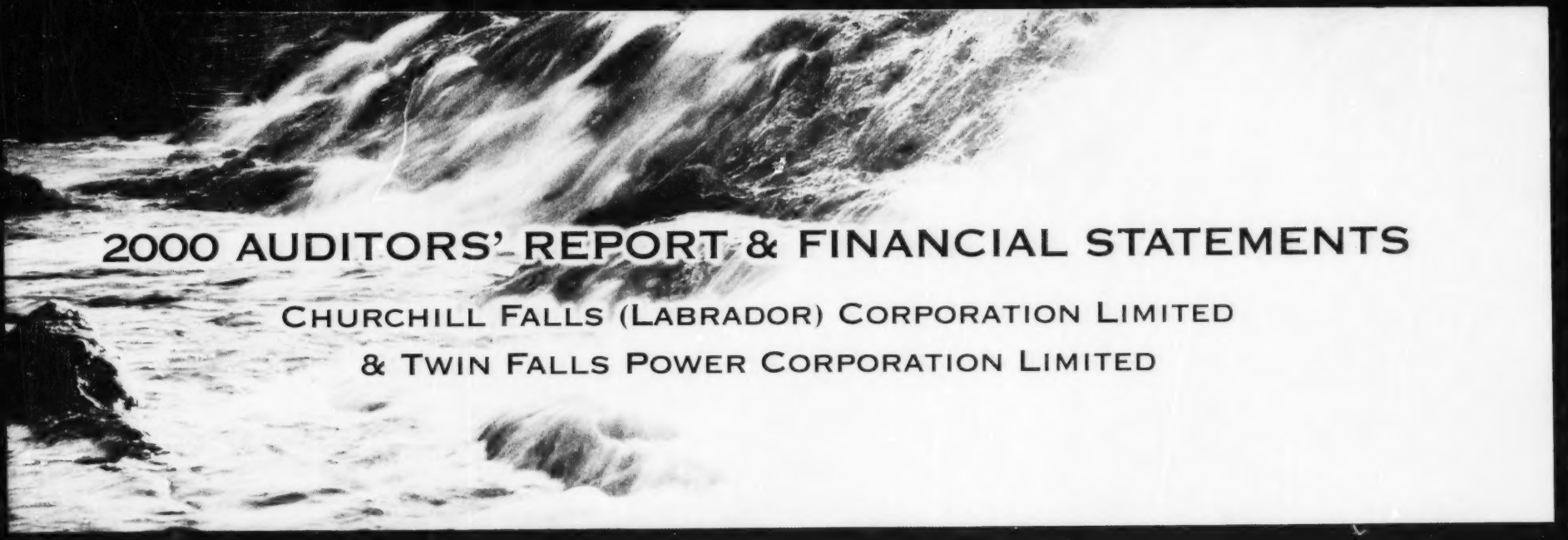

2000 AUDITORS' REPORT & FINANCIAL STATEMENTS

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED

& TWIN FALLS POWER CORPORATION LIMITED

THE POWER OF **COMMITMENT**

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED

The consolidated financial statements of Churchill Falls (Labrador) Corporation Limited and all information in the Annual Report are the responsibility of Management and have been approved by the Board of Directors. The financial statements have been prepared by Management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. Management is also responsible for the integrity and objectivity of the data in these financial statements including estimates and judgments, particularly when transactions affecting a current period are dependent upon future events. The financial statements have been prepared within reasonable limits of materiality and in light of information up to January 29, 2001.

To assist Management in the discharge of these responsibilities, a system of internal controls is maintained which is designed to provide reasonable assurance at reasonable cost that its assets are safeguarded from loss or unauthorized use, that transactions are executed in accordance with Management's authorization and that the financial records are reliable for preparing timely financial information. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Internal Audit Department independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to Management and to the Audit Committee of the Board of Directors.

The financial statements have been examined independently by the external auditors, Ernst & Young LLP whose responsibility it is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report, attached to the financial statements, outlines the scope of their examination and contains their opinion.

The Board of Directors carries out its responsibilities for the financial statements primarily through its Audit Committee which is comprised solely of outside directors. The Audit Committee meets periodically with management as well as with the internal and external auditors to satisfy itself that each group is properly discharging its responsibilities, and to review the financial statements before recommending approval by the Board of Directors. The internal and external auditors have full and free access to the Audit Committee, with and without the presence of management, to discuss auditing, internal control, accounting policy and financial reporting matters.

D. W. Osmond

D. W. Osmond
Vice-President, Finance and Chief Financial Officer

T. D. Collett

T. David Collett
President

To the Shareholders of

Churchill Falls (Labrador) Corporation Limited

We have audited the consolidated balance sheet of **Churchill Falls (Labrador) Corporation Limited** as at December 31, 2000 and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

St. John's, Newfoundland
Canada
January 29, 2001

Ernst & Young LLP

Chartered Accountants

As at December 31 (in thousands of dollars)	2000	1999
ASSETS		
Capital assets (Note 3)		
Capital assets in service	969,757	966,966
Less contributions in aid of construction	24,070	24,070
	945,687	942,896
Less accumulated depreciation	393,589	376,909
	552,098	565,987
Construction in progress	1,633	841
	553,731	566,828
Current assets		
Cash and cash equivalents	87	107
Short-term investments	6,754	6,179
Receivables and accrued interest	942	382
Due from related parties (Note 12)	31,601	24,987
Supplies and prepaid expenses	9,798	9,393
	49,182	41,048
Long-term receivable (Note 12)	5,663	6,456
Government of Canada Coupons, at cost (market value $6,257; 1999 - $11,734)	6,255	11,815
Deferred foreign exchange loss (Note 5)	60,353	63,863
Debt discount and financing expenses (net of accumulated amortization of $6,247; 1999 - $6,059)	1,312	1,500
	676,496	691,510

As at December 31 (in thousands of dollars)	2000	1999
LIABILITIES AND SHAREHOLDERS' EQUITY		
Long-term debt (Note 6)	**263,149**	297,272
Current liabilities		
Bank indebtedness	**1,425**	482
Accounts payable and accrued liabilities	**7,392**	5,108
Rental and royalty payable (Note 11(a))	**4,440**	5,007
Long-term debt due within one year (Note 6)	**42,664**	38,297
	55,921	48,894
Future income taxes	**216**	278
Employee future benefits (Notes 2 and 7)	**6,507**	849
Shareholders' equity		
Share capital (Note 8)	**82,900**	82,900
Retained earnings (Note 6)	**267,803**	261,317
	350,703	344,217
Commitments and contingencies (Note 11)		
	676,496	691,510

See accompanying notes

On behalf of the Board:

Director

Director

Year ended December 31 (in thousands of dollars)	2000	1999
Revenue		
Power sales	90,049	88,598
Guaranteed winter availability	7,029	5,413
Rental of rights and facilities to Twin Falls	490	490
	97,568	94,501
Expenses		
Operating costs	34,983	27,560
Interest (Note 10)	13,817	15,373
Depreciation	16,773	16,912
Rental and royalty costs (Note 11)	4,440	5,007
	70,013	64,852
Income before income taxes	27,555	29,649
Income taxes	310	276
Net income	27,245	29,373
Retained earnings, beginning of year	261,317	253,017
Less employee future benefits (Note 2)	5,212	-
	283,350	282,390
Dividends	15,547	21,073
Retained earnings, end of year	267,803	261,317

See accompanying notes

Year ended December 31 (in thousands of dollars)	**2000**	1999
Cash provided by (used in)		
Operating activities		
Net income	**27,245**	29,373
Adjusted for items not involving a cash flow		
Depreciation	**16,773**	16,912
Amortization of debt discount and financing expenses	**188**	188
Future income taxes	**(62)**	(98)
	44,144	46,375
Changes in non-cash working capital balances		
Receivables and accrued interest	**(560)**	266
Due from related parties	**(3,749)**	(3,339)
Supplies and prepaid expenses	**(405)**	261
Accounts payable and accrued liabilities	**1,835**	(996)
Rental and royalty payable	**(567)**	(214)
Employee future benefits	**446**	616
Adjustment to deferred foreign exchange	**1,374**	1,242
	42,518	44,211
Financing activities		
Long-term debt retired	**(39,545)**	(36,212)
Foreign exchange loss recovered	**9,853**	8,603
Dividends	**(15,547)**	(21,073)
	(45,239)	(48,682)

Year ended December 31 (in thousands of dollars)	**2000**	1999
Investing activities		
Net additions to capital assets	**(3,369)**	(2,144)
Increase in short-term investments	**(575)**	(693)
Decrease in investments	**5,560**	4,683
Changes in payables related to investing activities	**142**	(122)
	1,758	1,724
Net decrease in cash	**(963)**	(2,747)
Cash position, beginning of year	**(375)**	2,372
Cash position, end of year	**(1,338)**	(375)
Cash position is represented by		
Cash and cash equivalents	**87**	107
Bank indebtedness	**(1,425)**	(482)
	(1,338)	(375)

See accompanying notes

Churchill Falls (Labrador) Corporation Limited ("Churchill Falls") is incorporated under the laws of Canada and operates a hydroelectric generating plant and related transmission facilities in Labrador with a rated capacity of 5,428 megawatts (the "Project"). The Project operates under rights leased from the Province of Newfoundland (the "Province") for 99 years and is renewable for a further term of 99 years, under the Churchill Falls (Labrador) Corporation Limited (Lease) Act, 1961 (the "Lease") as amended covering the water power potential of the Upper Churchill watershed. A power contract with Hydro-Québec dated May 12, 1969 (the "Power Contract") provides for the sale of substantially all the energy from the Project until 2041.

1. Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Preparation of these consolidated financial statements requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results.

Cash Equivalents and Short-term Investments

Cash equivalents and short-term investments consist primarily of Canadian treasury bills and banker's acceptances bearing interest rates of 5.70% to 6.21% per annum (1999 - 4.90% to 5.20%). Those with original maturities at date of purchase of three months or less are classified as cash equivalents whereas those with original maturities beyond three months and less than twelve months are classified as short-term investments. Both are stated at cost, which approximates market value.

Revenue Recognition

Revenue is recorded on the basis of energy deliveries made.

Deferred revenue represents amounts billed under the Power Contract in excess of energy delivered. Receivables comprise amounts related to energy delivered in excess of the base amount, as defined by the Power Contract. Differences between amounts related to energy delivered and the base amounts are determined annually and are subject to interest at 7% per annum (1999 - 7%).

Joint Venture

Churchill Falls holds 33.33% of the equity share capital of Twin Falls Power Corporation Limited ("Twin Falls") and is a party with other shareholders in a participation agreement which gives Churchill Falls joint control of Twin Falls. This investment is accounted for by the proportionate consolidation method (Note 4).

Capital Assets and Depreciation

Expenditures for additions, improvements and renewals are capitalized and normal expenditures for maintenance and repairs are charged to operations.

Churchill Falls uses the group depreciation method for certain capital assets other than the generation plant, transmission and terminals and service facilities.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Generation Plant	
Hydroelectric	67 years
Transmission and terminals	67 years
Service facilities	67 years
Other	5 to 100 years

1. Summary of Significant Accounting Policies (Cont'd)

Capital Assets and Depreciation (Cont'd)

Churchill Falls has made no provision in its accounts for future removal and site restoration costs as they cannot be estimated at this time.

Contributions in aid of construction are funds received from customers toward the cost of capital assets. Contributions are treated as a reduction to capital assets and the net capital assets are depreciated.

Losses on other than normal retirements are charged to operations in the year incurred as adjustments to depreciation expense.

Amortization

Debt discount and financing expenses are being amortized on a straight-line basis over the estimated term of the First Mortgage Bonds.

Foreign Currency Translation

Foreign currency transactions are translated into their Canadian dollar equivalent as follows:

(a) At the transaction date, each asset, liability, revenue or expense is translated using exchange rates in effect at that date.

(b) At each balance sheet date, monetary assets and liabilities are translated using exchange rates in effect at that date.

(c) Foreign exchange gains and losses are included in income in the current year except for unrealized gains and losses related to First Mortgage Bonds. Under the Power Contract, Churchill Falls recovers a portion of the difference between actual foreign exchange rates prevailing at the settlement dates of its First Mortgage Bonds and a Weighted Average Exchange Rate as defined in the Power Contract. The recoverable portion of the unrealized foreign exchange loss is deferred until the settlement dates. The foreign exchange loss not recoverable under the Power Contract is being amortized to operations on a straight line basis over the remaining life of the debt.

Income Taxes

Churchill Falls is exempt from paying income taxes under Section 149(1)(d) of the Income Tax Act and Twin Falls is liable for income taxes.

2. Accounting Change

Employee Future Benefits

Effective January 1, 2000, Churchill Falls implemented accrual accounting for employee future benefits, whereby the expected cost of providing these benefits is recognized as employees render service, as required by new recommendations of the Canadian Institute of Chartered Accountants. Previously, these costs were charged to operations as benefits were incurred, with the exception of retiring allowances which were accrued as employees became eligible to retire (1999 - $849,000). The cost of employee future benefits has been actuarially determined for accounting purposes based on assumptions that reflect management's best estimates of the effect of future events on the actuarial present value of the accrued benefits. This change has been applied retroactively, without restatement of prior years. Accordingly, the impact on the 2000 financial statements is a reduction in opening retained earnings of $5,212,000, and a decrease in net income of $446,000.

3. Capital Assets

thousands of dollars	Capital Assets in Service	Contributions In aid of Construction	Accumulated Depreciation	Construction In Progress
		2000		
Generation Plant				
Hydroelectric	674,281	-	269,640	-
Transmission and terminals	154,895	-	62,009	-
Service facilities	33,959	-	13,570	-
Other	106,622	24,070	48,370	1,633
	969,757	24,070	393,589	1,633

thousands of dollars			1999	
Generation Plant				
Hydroelectric	674,281	-	259,514	-
Transmission and terminals	154,895	-	59,686	-
Service facilities	33,959	-	13,063	-
Other	103,831	24,070	44,646	841
	966,966	24,070	376,909	841

The capital assets of Churchill Falls, with a cost of $947,118 (1999 - $944,634) are pledged as collateral for long-term debt.

4. Joint Venture

The following amounts included in the consolidated financial statements represent Churchill Falls' proportionate interest in Twin Falls:

thousands of dollars	2000	1999
Assets	1,324	1,410
Liabilities	297	343
Revenue	1,069	1,066
Expenses	497	456
Cash flows	47	(378)

5. Deferred Foreign Exchange Loss

thousands of dollars	2000	1999
Recoverable under the Power Contract	62,447	63,060
Unrecoverable portion to be amortized	8,654	9,478
	71,101	72,538
Less current portion recoverable included in due from related parties	10,748	8,675
	60,353	63,863

6. Long-Term Debt

thousands of dollars	Cdn.	U.S.	Cdn.	U.S.
	2000		1999	
First Mortgage Bonds				
7.750% Series A due December15, 2007				
Authorized		500,000		500,000
Outstanding at December 31	225,201	150,114	251,221	174,060
Due within one year	38,761	25,837	34,561	23,946
Long-term debt	186,440	124,277	216,660	150,114
7.875% Series B due December15, 2007				
Authorized	50,000		50,000	
Outstanding at December 31	15,186		17,587	
Due within one year	2,594		2,401	
Long-term debt	12,592		15,186	
General Mortgage Bonds				
7.500% due December 15, 2010				
Authorized	100,000		100,000	
Outstanding at December 31	65,426		66,761	
Due within one year	1,309		1,335	
Long-term debt	64,117		65,426	
Total long-term debt	263,149		297,272	

First Mortgage Bonds

The Series A and Series B bonds are repayable in fixed semi-annual and in contingent annual sinking fund instalments which commenced in June 1978. There have been no contingent repayments in the past five years.

General Mortgage Bonds

The Deed of Trust and Mortgage collateralizing the General Mortgage Bonds provides for semi-annual sinking fund payments which commenced in June 1980. Each payment will be an amount equal to 1% of the aggregate principal amount outstanding on January 1 preceding each payment date. These bonds are subordinate to the First Mortgage Bonds.

Repayment of Long-Term Debt

Due to the contingent nature of the amounts of certain of the sinking fund instalments, it is not possible to be precise concerning long-term debt repayments over the next five years; however fixed sinking fund payments are estimated to average $39,000,000 in each of the years 2001 to 2005 inclusive.

Dividend Restriction

Under the terms of the long-term debt instruments, Churchill Falls may pay cash dividends only out of earnings, as defined, accumulated from September 1, 1976. A shareholders' agreement signed in June 1999 places additional restrictions on dividends, based on cash flow.

7. Employee Future Benefits

Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions of $664,000 (1999 - $552,000) are expensed as incurred.

Other Benefits

Additionally, Churchill Falls provides group life insurance and healthcare benefits on a cost-shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a severance payment upon retirement. Information about these plans is as follows:

thousands of dollars	2000	1999
Accrued benefit obligation		
Balance at beginning of year	6,061	-
Current service cost	257	-
Interest cost	424	-
Benefits paid	(235)	-
Balance at end of year	6,507	-
Plan deficit	6,507	-

The significant actuarial assumptions used in measuring Churchill Falls' accrued benefit obligations include a discount rate of 7.0% and an average rate of compensation increase of 3.5%. In addition, in determining the expected cost of healthcare benefits, it was assumed that healthcare costs will increase by 12% in 2000 and decrease gradually to 5% in 2007 and remain level thereafter.

The net benefit plan expense is as follows:

thousands of dollars	2000	1999
Current service cost	257	-
Interest cost	424	-
Net benefit plan expense	681	-

8. Share Capital

The share capital of Churchill Falls as at December 31, 2000 and 1999 is summarized below:

	Shares	Amount ($ '000s)
Common shares without nominal or par value		
Authorized - unlimited		
Issued and fully paid	8,759,999	82,900
Preferred shares without nominal or par value		
Authorized, issued and fully paid	3	-

Additional shares cannot be issued without the approval of a majority of the directors on the Board of Directors, including at least one director nominated by Newfoundland and Labrador Hydro ("Hydro") and one director nominated by Hydro-Québec.

The preferred shares are divided into three classes and the dividends thereon, which rank pari passu but ahead of dividends on common shares, are as follows:

The Class A Cumulative Preferred Shareholder is entitled to dividend payments calculated as the amount equal to the income taxes which would have been received by the Province had Churchill Falls continued to be a taxable corporation.

The Class B Redeemable Cumulative Preferred Shareholder is entitled to dividends equal to the Additional Québec Interest Subsidy Payment, as defined, during the life of the First Mortgage Bonds.

The Class C Redeemable Cumulative Preferred Shareholder is entitled to dividends equal to the Additional Newfoundland Interest Subsidy Payment, as defined, during the life of the First Mortgage Bonds.

Effective June 18, 1999, the two shareholders of Churchill Falls, Hydro and Hydro-Québec, entered into a shareholders' agreement which provided, among other matters, that certain of the strategic operating, financing and investing policies of Churchill Falls be subject to approval jointly by representatives of Hydro and Hydro-Québec. Churchill Falls also receives certain benefits from Hydro-Québec, including significant revenues, under a guaranteed winter availability contract through 2041.

9. Financial Instruments

The estimated fair values of financial instruments as at December 31, 2000 and 1999 are based on relevant market prices and information available at the time. The fair value estimates below are not necessarily indicative of the amounts that Churchill Falls might receive or incur in actual market conditions. As a significant number of Churchill Falls' assets and liabilities, including supplies and capital assets, do not meet the definition of financial instruments, the fair value estimates below do not reflect the fair value of Churchill Falls as a whole.

	Carrying Value	Fair Value	Carrying Value	Fair Value
thousands of dollars	2000		1999	
Due from related parties including amount due within one year	**37,264**	**37,436**	31,443	31,727
Long-term debt including amount due within one year	**305,813**	**316,035**	335,569	342,589

The carrying value of financial instruments, other than those listed above, approximates fair value.

The fair value of due from related parties and long-term debt is estimated based on the quoted market price for the same or similar debt instruments.

10. Interest

Churchill Falls recovers the difference between interest calculated at the rates described in the Power Contract and interest paid on its long-term debt together with a portion of the difference between actual exchange rates prevailing at the time of the interest payments and the Weighted Average Exchange Rate as defined in the Power Contract.

An analysis of interest and amortization of debt discount and financing expenses is as follows:

thousands of dollars	2000	1999
Gross interest	**37,074**	38,678
Less Recovered from power customers	**20,819**	20,546
Interest income	**2,626**	2,947
Net interest expense	**13,629**	15,185
Amortization of debt discount and financing expenses	**188**	188
	13,817	15,373

Also, Churchill Falls can request Hydro and Hydro-Québec to make advances against the issue of Subordinated Debt Obligations, to service its debt and to cover expenses if funds are not otherwise available. If such request fails to attract sufficient advances, Churchill Falls can require Hydro-Québec to make additional advances, against the issue of units of Subordinate Debentures and shares of common stock, to service its debt and to cover its expenses that remain unfunded.

11. Commitments and Contingencies

(a) Under the terms of the Lease and amendments thereto, Churchill Falls is required to pay to the Province an annual rental of 8% of the consolidated net profits before income taxes, as defined, and an annual royalty of $.50 per horsepower year generated, as defined.

(b) Under the terms of a sublease with Twin Falls, expiring on December 31, 2014, Churchill Falls is required to deliver to Twin Falls, at an agreed price, horsepower equivalent to the installed horsepower of the Twin Falls plant and to maintain the Twin Falls plant and equipment.

12. Related Party Transactions

thousands of dollars	Current	Long-term	Current	Long-term
	2000		1999	
Due from Twin Falls	11	-	14	-
Due from Newfoundland and Labrador Hydro	754	-	887	-
Due from Hydro-Québec	30,836	5,663	25,999	6,456
Due to Hydro-Québec	-	-	(1,913)	-
	31,601	5,663	24,987	6,456

(a) Churchill Falls has entered into long-term power contracts with its shareholders for the sale of substantially all of the power produced by the plant.

(b) Approximately 5%(1999 - 8%) of operating costs represent charges from Hydro for engineering, technical, management and administrative services. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(c) During 2000, Churchill Falls, from time to time, invested in short-term notes of Hydro at market interest rates. At December 31, 2000, there were no short-term investments in Hydro outstanding (1999 - nil) and included in due from related parties.

(d) The long-term receivable from Hydro-Québec bears interest at 7% per annum and is receivable over a four year period which commenced in September 2000. The current portion is $1,710,000.

13. Comparative Figures

Certain of the 1999 comparative figures have been reclassified to conform with the 2000 financial statement presentation.

Directors

Dean T. MacDonald
President
Cable Atlantic

Marie-Jose Nadeau
Executive Vice-President
Corporate Affairs and
Secretary General
Hydro-Québec

Thierry Vandal
Executive Vice-President, Generation
Hydro-Québec

Albert Hickman
President
Hickman Motors Limited

Leonard Stirling
First Vice-President and
Atlantic Regional Manager
Johnson Inc.

Robert Warr
Managing Director
Nor-Lab Limited

William E. Wells
Chief Executive Officer
Churchill Falls (Labrador)
Corporation Limited

Victor L. Young
Chairman and
Chief Executive Officer
Fishery Products International

T. David Collett, ex-officio
President
Churchill Falls (Labrador)
Corporation Limited

Officers

Dean T. MacDonald
Chairman

William E. Wells
Chief Executive Officer

T. David Collett
President

Maureen P. Greene
Vice-President, Human Resources
General Counsel and Corporate
Secretary

Derek W. Osmond
Vice-President, Finance and
Chief Financial Officer

Andrew E. MacNeill
General Manager

John C. Roberts
Corporate Controller

Mark G. S. Bradbury
Treasurer

Gerald C. Bowers
Assistant Treasurer

Peter A.Hickman
Assistant Corporate Secretary

Head and Corporate Office

Columbus Drive
P.O. Box 12500
St. John's, NF
A1B 3T5

TWIN FALLS POWER CORPORATION LIMITED

To the Shareholders of
Twin Falls Power Corporation Limited

We have audited the balance sheet of **Twin Falls Power Corporation Limited** as at December 31, 2000 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

St. John's, Newfoundland
Canada
January 29, 2001

Ernst & Young LLP

Chartered Accountants

As at December 31 (thousands of dollars)	**2000**	1999
ASSETS		
Capital assets		
Power facility, at cost	**66,997**	66,997
Less accumulated depreciation	**65,030**	64,814
	1,967	2,183
Current assets		
Cash and cash equivalents	**180**	100
Short-term investments	**1,490**	1,615
Receivables	**352**	355
	2,022	2,070
	3,989	4,253

As at December 31 (thousands of dollars)	**2000**	1999
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	**23**	82
Accounts payable and accrued liabilities	**132**	109
Income taxes payable	**88**	5
Due to Churchill Falls	**16**	20
	259	216
Future income taxes	**647**	834
Shareholders' equity		
Share capital (Note 2)		
Authorized		
500,000 Class A shares without nominal or par value		
1,000,000 Class B shares without nominal or par value		
Issued and fully paid		
250,000 Class A Shares	**838**	838
500,000 Class B Shares	**1,675**	1,675
	2,513	2,513
Retained earnings	**570**	690
	3,083	3,203
Commitments and contingencies (Note 3)		
	3,989	4,253

See accompanying notes

On behalf of the Board:

Director

Director

Year ended December 31 (thousands of dollars)	**2000**	1999
Revenue		
Sales of power	**4,855**	4,839
Other	**88**	84
	4,943	4,923
Expenses		
Cost of power (Note 3)	**2,169**	2,135
Depreciation	**216**	216
	2,385	2,351
Income before income taxes	**2,558**	2,572
Income taxes		
Current	**1,117**	1,120
Future	**(187)**	(74)
	930	1,046
Net income	**1,628**	1,526
Retained earnings, beginning of year	**690**	709
	2,318	2,235
Dividends	**1,748**	1,545
Retained earnings, end of year	**570**	690

See accompanying notes

Year ended December 31 (thousands of dollars)	2000	1999
Cash provided by (used in)		
Operating activities		
Net income	1,628	1,526
Adjusted for items not involving a cash flow		
Depreciation	216	216
Future income taxes	(187)	(74)
	1,657	1,668
Changes in non-cash working capital balances		
Receivables	3	836
Accounts payable and accrued liabilities	23	(58)
Income taxes payable	83	(11)
Due to Churchill Falls	(4)	(848)
	1,762	1,587
Financing activities		
Dividends	(1,748)	(1,545)
Investing activities		
Decrease (increase) in short-term investments	125	(1,175)
	139	(1,133)
Net increase (decrease) in cash	18	1,151
Cash position, beginning of year	157	18
Cash position, end of year		
Cash is represented by		
Cash and cash equivalents	180	100
Bank indebtedness	(23)	(82)
	157	18

See accompanying notes

Twin Falls Power Corporation Limited ("Twin Falls") is incorporated under the laws of Canada and has developed a 225 megawatt hydroelectric generating plant on the Unknown River in Labrador. The plant has been inoperative since 1974 (refer to Note 3).

1. Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared by Management in accordance with accounting principles generally accepted in Canada. Preparation of these financial statements requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results.

Depreciation

The power facility is depreciated using the straight-line method at a rate of 3% per annum.

Cash Equivalents and Short-term Investments

Cash equivalents and short-term investments consist of deposits invested with a related company bearing interest rates of 5.70% to 5.90% (1999 – 4.90% to 5.20%). Those with original maturities at date of investment of three months or less are classified as cash equivalents whereas those with original maturities beyond three months and less than twelve months are classified as short-term investments. Both are stated at cost, which approximates market value.

2. Share Capital

The issued Class A shares are owned by Churchill Falls (Labrador) Corporation Limited ("Churchill Falls") and the issued Class B shares are owned by the present long-term customers of Twin Falls. The Class A shares are entitled to four votes per share and the Class B shares are entitled to one vote per share but rank pari passu in all other respects.

3. Commitments and Contingencies

Twin Falls has a sublease from Churchill Falls giving Twin Falls the right to develop the hydroelectric power potential of the Unknown River, a tributary of the Churchill River, at the site of the Twin Falls plant. The sublease expires December 31, 2014. Certain rights under the sublease were suspended by Churchill Falls with effect from June 30, 1974 with the result that Churchill Falls is diverting the flow of water from the Twin Falls plant and using the facilities of Twin Falls as required. In consideration for this suspension of rights, Churchill Falls is required to deliver to Twin Falls, during the unexpired term of the sublease, horsepower equivalent to the installed horsepower of the Twin Falls plant and to maintain the Twin Falls plant and equipment. Twin Falls is obliged to purchase this power for an amount equal to the average annual cost of operating the Twin Falls plant for the five year period ended March 31, 1974. In addition, Twin Falls is required to pay annually to Churchill Falls a rental amounting to $305,000 and $1.40 per installed horsepower. Twin Falls also pays to Churchill Falls an annual royalty of $.50 per horsepower year generated, as defined, all calculated as though the power delivered by Churchill Falls to Twin Falls had been generated in the Twin Falls plant.

4. Comparative Figures

Certain of the 1999 comparative figures have been reclassified to conform with the 2000 financial statement presentation.

Directors

T. David Collett
President
Twin Falls Power Corporation Limited

Ralph Berge
Manager, Purchasing and Energy
Cliffs Mining Company

Maurice McClure
Manager, Financial Services
Iron Ore Company of Canada

Grant Goddard
Vice-President, Operations
Iron Ore Company of Canada

Maureen P. Greene
Vice-President, Human Resources
General Counsel and Corporate Secretary
Newfoundland and Labrador Hydro

Andrew E. MacNeill
General Manager
Churchill Falls (Labrador) Corporation Limited

Derek W. Osmond
Vice-President, Finance and Chief Financial Officer
Newfoundland and Labrador Hydro

David W. Reeves
Vice-President, Transmission and Rural Operations
Newfoundland and Labrador Hydro

Officers

T. David Collett
President

Maureen P. Greene
Vice-President, Human Resources
General Counsel and Corporate Secretary

Derek W. Osmond
Vice-President, Finance and Chief Financial Officer

Andrew E. MacNeill
General Manager

John C. Roberts
Corporate Controller

Mark G. S. Bradbury
Treasurer

Gerald C. Bowers
Assistant Treasurer

Peter A. Hickman
Assistant Corporate Secretary

Head and Corporate Office

Columbus Drive
P.O. Box 12500
St. John's, NF
A1B 3T5